



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: February 1, 2006 REPORT NO. 06-017

ATTENTION: The Committee on Rules, Open Government, and
Intergovernmental Relations of the City Council of the City of San
Diego
Agenda of February 8, 2006

SUBJECT: Approval of two measures to be included on the November 7, 2006 ballot.
a. Voter Approval of Future Pension Benefits
b. Use of Managed Competition to Restructure and Achieve
Efficiencies in City Operations

REQUESTED ACTION: Review, approve and forward to the full City Council the
two proposed ballot measures for inclusion on the November 7, 2006 ballot.

STAFF RECOMMENDATION: Approve and forward to the full City Council the
two proposed ballot measures for inclusion on the November 7, 2006 ballot.

SUMMARY:

Over the past several years, the City of San Diego has struggled with a number of issues relating to its budget, how it delivers services and its pension system. Both of the measures proposed are designed to insure that these issues are addressed. More importantly, they are intended to insure that residents will not have to grapple with these same problems in the future.

a. Voter Approval for Future Pension Benefits

This measure will amend Section 143 of the City Charter to add certain requirements when changes are proposed to the retirement system.

- Any increase in pension benefits must be approved by a majority of the electorate.
- Any change to the employee retiree benefits---other than those that result in an increase in benefits---must be approved by a majority of the current members of the system.
- Any change to the system that impacts the vested defined benefits of a retired member of the system must be approved by a majority of the affected retirees.

Where a benefit increase is placed on the ballot for approval by the electorate, an actuarial study of the cost or savings must be completed ahead of time. A summary of that study shall be published in the ballot pamphlet

City officials will still be able to negotiate tentative agreements with employee organizations that include retirement benefit changes. However, those changes shall not be binding until approved by voters.

b. Use of Managed Competition to Restructure and Achieve Efficiencies in City Operations

Currently, the City Charter prohibits the City from initiating a true managed competition program. The proposed measure would amend City Charter Section 117 to allow for the creation of a true managed competition program. This program will be a tool that the Mayor and Council can use to improve organizational efficiency and insure that City residents are receiving quality services in the most cost effective manner.

Where the Mayor determines that a service can be provided in a more cost effective or efficient manner by outside entities, he or she will be empowered to begin a review process. This determination will be based upon, in part, by the development of a cost model with input from the Independent Budget Analyst, the Chief Financial Officer and the Auditor. That process will offer the impacted City Department an opportunity to submit a Competitive Restructuring Plan. At the same time, a public solicitation notice will be issued inviting proposals from outside entities for delivery of the impacted service. The public notice solicitation shall be the same as the notice sent to the impacted City Department.

All proposals will be evaluated by an Independent Review Committee which will then make a recommendation to the Mayor. This committee shall be comprised of individuals with expertise in finance, administration or in the service area under consideration. These individuals cannot have a previous or current financial relationship with any of the service providers under consideration. Further, any member of the review committee shall also be prohibited from having a future financial relationship with a winning contractor. Organizations participating in the process, and their representatives, are prohibited from contacting members of the Independent Review Committee with the exception of formal presentations before the whole committee as scheduled by the Independent Review Committee.

The Independent Review Committee will make its recommendation to the Mayor to either accept the Competitive Restructuring Plan submitted by the Department or accept a proposal from an outside contractor. The Mayor will then make a determination that either affirms the City Department as the provider or recommends that the service be performed by an outside contractor. Where appropriate, the City will strive to insure that any Agreement entered into with independent contractors will not result in a sole source arrangement. If an outside contractor is recommended for an Agreement to provide

services, that Agreement will be forwarded to the City Council, which may either accept or reject the Agreement in its entirety. Once approved, the Mayor will be responsible for monitoring the progress of the service delivery and will provide updates to the City Council.

The proposed amendment does not apply to work or services that the Charter, state or federal law requires to be performed by officers or employees of the city. It will not apply to services performed by sworn members of the police, fire or life guard service where those services can only be performed by sworn members as a matter of law. An exception to that provision is where those activities are currently being performed under contract as of the effective date of enactment of the ordinance, in which case they may continue to be performed under such contract or any extension thereof.

FISCAL CONSIDERATIONS:

According to the Registrar of Voters, the cost of placing an individual measure on the November 7, 2006 ballot will range between \$150,000 to \$200,000 per measure.

The full fiscal impact of both measures when implemented is unknown at this time. However, the following broad impacts to the City's budget are anticipated:

- a. There will be an immediate cost in placing any proposed changes on a ballot. Those costs will vary depending on whether that particular ballot is part of a primary, general or special election. Changes to the pension system will have an impact on City finances. Should voters approve any increases to the pension system, then there will be an ongoing cost to the City for those changes. Should the voters reject an increase or modification resulting in a cost increase, then those on-going costs will be avoided.
- b. The intent of the measure is to save the City money on services. Those savings will result either from City departments successfully implementing a Competitive Restructuring Plan or from the City obtaining the service from an outside entity in a more cost efficient manner. It is anticipated that cost savings will result.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The issues behind these measures---the City budget, the pension crisis, how the City can best serve its citizens---were at the center of the recent Mayoral election. All of the candidates involved in that process discussed these issues in a variety of public forums including debates, in the press and at community events.

For the latter part of 2005, candidate Jerry Sanders made clear his intention to bring these issues directly before the voters should he be elected Mayor. Now that the voters have

placed him in office, Mayor Sanders has begun the process of following through on the commitments he made to the voters.

KEY STAKEHOLDERS & PROJECTED IMPACTS (if applicable):

If approved, the measures will impact the following stakeholders:

- a. Current and future City employees and retirees, city taxpayers.
- b. Current City employees, city taxpayers, individuals receiving city services.

Respectfully submitted,

Ronne Froman
Chief Operating Officer